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# Exhibit G

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**EXPERT REPORT OF  
AVI KOSTELITZ**

**Prepared for:**

**DEWEY & LEBOEUF LLP**  
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**February, 2011**

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**I. Statement of Qualifications**

1. I received a Bachelor of Arts Degree with Honors in Social Science, Economics, Sociology and Political Science from Bar-Ilan University in 1993. I then received a Master of Science in Business Administration ("Msc") from Ben-Gurion University in 1995.

2. I joined the Israeli Security Agency ("ISA"), commonly referred to in Israel as the "*Shabak*," in 1970, and I continued to serve there until 1995.

3. During my service in the ISA, I served in numerous senior positions. From 1977 to 1981, I was Director of the Anti-Terrorism Department for the central region - West Bank (which included the Judea and Samaria Regions) and Jerusalem. From 1981 to 1983, I was the Director of the Intelligence Collecting Department and Terrorism Warfare Department for Jerusalem and Judea. From 1981 to 1983, I was also a Deputy Commander of the ISA for the West Bank and Jerusalem Region. From 1983 to 1984, I was the Commander of the ISA Units in Lebanon (after the first Lebanese war). From 1984 to 1988, I was the Commander of the Southern Region of Israel, including the Gaza Strip. From 1988 to 1991, I was the Commander of the Central Region, which included Jerusalem and the Judea and Samaria Regions. From 1991 to 1993, I was involved in my academic studies. Then from 1993 to 1994, I was the ISA's representative on the Steering Committee in connection with the implementation of the Oslo Agreement with respect to Gaza Strip and Jericho. After leaving the ISA at the end of 1995, I began working in mid-1996 for the Israeli Airports Authority (a government supervised entity) where I served as Chairman of the Israeli Airports Authority Board in 1996 and then as CEO of the same Authority (which includes the border crossing checkpoints) from 1997 through 2001. I later worked as a private consultant involved in airport security and new aviation security technologies. In this position, I continued to be in close contact with the ISA about aviation security issues from 2002 until 2008. Approximately during the

last decade, I was also involved in periodic meetings with senior officers of the ISA for briefings and discussion of current ISA issues.

4. During most of my career with the ISA, I was a "field-officer," which is to say that I was active in the field along with ISA staff and the Israeli Defense Forces ("IDF") in the West Bank and Gaza Strip and with the national police inside Israel, and was directly involved with the operations of the ISA in the regions where I served. The ISA gathers and uses intelligence for the national security of Israel. Throughout this period, I had continuing interaction with the local Palestinian population in the regions where I had responsibility. I speak Arabic in addition to some other languages.

5. My full Curriculum Vitae is attached hereto as Exhibit A.

6. For security reasons, the content of my responses, including information, assessments and conclusions contained herein, is based on open source unclassified information and does not rely on, or reveal, any privileged or classified information to which I was exposed as part of my ISA job.

7. Prior to submission, this report was forwarded to the ISA to ensure state secret protection and no violation of security protocols and/or the laws of Israel. However, the ISA's approval does not reflect its confirmation or consent to the information and assessments contained in this report which was written on my own accord and reflects my opinion only.

II. **Scope of Services and Questions Presented**

I have been asked to address the following questions:

- A. Can you describe the ISA's capability with regard to identifying, monitoring and thwarting terrorists and their activities directed against Israel or its citizens?
- B. During the relevant time period, would Israeli intelligence have known about the continued involvement of elements that provided financial support for terrorism directed against Israel or its citizens?
- C. During the relevant time period, would Israeli intelligence likely have attempted to stop the continued financing of terrorist activities by any individual or entity directed against Israel or its citizens?
- D. During the relevant time period, did promises of financial reward or compensation to the families of suicide bombers create a meaningful incentive for prospective suicide bombers to carry out a suicide bombing in Israel?

**III. Discussion and Analysis**

**A. Can you describe the ISA's capability with regard to identifying, monitoring and thwarting terrorists and their activities directed against Israel and its citizens?**

8. From the date it declared independence, Israel has been threatened by certain hostile nations and terrorist groups and has been determined to defend itself and its people from any and all terrorist attacks. Israel's determination to identify, locate and act decisively to prevent terrorist activities directed against Israel and its people is well known. Towards that end, Israel has continuously invested enormous resources in order to collect and analyze intelligence and then use this intelligence to find and thwart hostile and terrorist activities.

9. The ISA is the national organization charged with the defense of Israel, its institutions and its democratic governance, against the threats of terror, espionage, political subversion, and the exposure of state secrets. It is roughly equivalent to the FBI in the United States.

10. One of the most important responsibilities of the ISA is to use, in close association with the IDF and the police, all of Israel's relevant intelligence capabilities to prevent and thwart terrorist attacks, including suicide bombings launched against Israeli targets (both civil and military) in Israel, the West Bank and Gaza Strip.

11. The ISA is also responsible for directing the security at critical infrastructures and certain government institutions.

12. To achieve the above mentioned goals, the ISA's mission is to collect intelligence using every possible lawful measure regarding the activities of people, groups and entities that it believes pose a threat to Israel's security interests. One method that is publicly known and is used by the ISA is the use of informants from the local population ("Humint resources") in order



to gather human intelligence about past, present and future terrorist activities and attacks, or about the operations of terrorist leadership and entities. The ISA also uses technology and interrogations to gather intelligence about past and future terrorist activities and attacks.

13. Unfortunately, the ISA has not been able to prevent all such attacks. Its success in preventing or exposing many terrorist attacks is largely and directly due to its extensive abilities to identify, monitor and act against individuals or entities engaged in, or associated with, terrorist activities. The ISA has proven its ability to continuously improve itself by learning from its past experiences, which enables the ISA to better perform its duties and responsibilities.

14. Through effective intelligence gathering, the ISA has succeeded in preventing and exposing many terrorist attacks, arresting terrorist activists and declaring organizations that support terrorist activities as illegitimate. Not deterred by failures, Israel continuously improves its intelligence gathering techniques and uses the best available technologies to fight terror.

15. In my opinion, the ISA has exceptional capability and resolve to identify, monitor and thwart individuals or entities that engage in, support or are associated with, terrorist activities.

**B. During the relevant time period, would Israeli intelligence have known about the continued involvement of elements that provided financial support for terrorism directed against Israel or its citizens?**

16. During my service in the ISA, I did not review, nor was I ever presented with, any information which revealed the systematic transfers of funds designated to provide financial support for terror activities inside Israel, including the Palestinian Territories, from sources outside of Israel. It is public

knowledge that the Israeli Security Authorities knew that small amounts of money from outside of Israel flowed to local charitable organizations in Gaza Strip and the West Bank, known as *zakat* committees. It is public knowledge that the Israeli Security Authorities knew that the *zakat* committees were providing important humanitarian aid to the Palestinian population. There was no particular concern at that time about this flow of money being used to finance terrorist activities.

17. As the number and frequency of terror attacks, including suicide bombings, increased during the Second *Intifada*, Israeli Security Authorities began focusing on the flow of money to individuals and entities inside Israel, the West Bank and Gaza Strip who were or could be involved in terrorist activities. Following the Oslo Agreement, it became clear that an important factor in the fight against terrorism was preventing the flow of money to terrorists, which among other things financed the purchase of arms and explosives, facilitated the organization of terror groups and helped carry out terror attacks.

18. In this period following the Oslo Agreement, and due to the increase of suicide bombing attacks against Israeli targets, Israel devoted, as was publicly stated, significant efforts to collect information on elements that were involved in recruiting donors, raising funds, structuring and operating money-channeling methods, and in delivering and distributing money to those involved with or supporting terrorist activities.

19. Israeli Security Authorities cooperated and expended efforts to collect information, research the delivery of funds to terrorist organizations and individual activists, and uncover money-raising schemes and delivery methods.

20. I understand that significant resources were utilized to monitor, track and prevent the delivery of money designated to finance terror from flowing into the West Bank and Gaza Strip. Such efforts enabled the Israeli

Security Authorities to identify individuals and entities who were affiliated with terror financing and to take measures to prevent and thwart such activities.

21. In my opinion, throughout the relevant period of time, the Israeli Security Authorities would have known if an entity was engaged in the financing and supporting of terrorist activities directed against Israel or Israeli citizens.

**C. During the relevant time period, would Israeli intelligence likely have attempted to stop the continued financing of terrorist activities by any individual or entity directed against Israel or its citizens?**

22. After the Oslo Agreement, Israel continued to extensively monitor the activities of individuals or entities known or suspected to be involved in terror or supporting terror. The Oslo Agreement allowed Israel to continue to act within the West Bank and Gaza Strip, including in those areas in which day-to-day control was transferred to the Palestinian Authority, if Israel perceived a serious security threat arising from activities in the area.

23. Israel's clear policy was to take whatever action was necessary to detect, expose and thwart terrorist activists, groups and organizations, and to prevent terrorist attacks.

24. Israel also continued to collect information about, and take measures to stop, money flows into the West Bank and Gaza Strip that had the effect of financing terrorist activities and terrorist organizations.

25. In my opinion, throughout the relevant period of time, Israel would not have tolerated the continuous operation of any entity, certainly not a major bank, if it had information that this entity was aiding or supporting terror, or if the entity was involved in money transfers to individuals or other entities who

were affiliated with, or supporting terrorist groups aimed at harming Israel or its citizens.

26. In my opinion, if Arab Bank was funding terrorism, directly or indirectly, as alleged in the complaints in these actions, the Israeli Security Authorities should have known about it and would have acted directly against Arab Bank, its managers and employees, to stop it. In this situation, I believe that the Israeli Security Authorities would not have allowed Arab Bank to continue to exist and do business in the Palestinian Territories.

**D. During the relevant time period, did promises of financial reward or compensation to families of suicide bombers create a meaningful incentive for prospective suicide bombers to carry out a suicide bombing in Israel?**


27. Having been throughout my whole career in the ISA in daily interaction with many Palestinians in the West Bank and Gaza Strip, I believe that financial reward or compensation to the family of suicide bombers was not a meaningful motive for prospective suicide bombers to commit suicide bombing attacks. I believe that money was not a major, or even a meaningful, element in the motivation of suicide bombers. In my opinion, based on my personal and day-to-day familiarity with the Palestinian population, as well as reports and information I was exposed to, the profile of a suicide bomber indicates that one or a combination of the following motives were the main motivations: religious and national fundamentalism; a desire to achieve or reclaim honor; a sense of hopelessness; desperation; distress; revenge; and hatred toward Israel. Some of the suicide bombers were Palestinians that were intentionally exploited or seduced to commit disgraceful acts and, therefore, were motivated to commit terrorist acts by the need to redeem their family honor. For some suicide bombers, the prospect of going to heaven was

a motivating factor. Financial benefits were not considered as a meaningful motive for such acts.

  
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Avi Kostelitz

Signed before me on February 22, 2011:

Rona Zamzmit



Epstein, Chomsky, Osnat & Co.

## **EXHIBIT A**

### **CURRICULUM VITAE**

#### **AVI KOSTELITZ**

##### **Personal Details**

Born on Dec. 1947 in Germany, Married + 3.

Retired in 1996 at the equivalent rank of Major General

##### **Contact Information**

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##### **Educational Background**

1. 1993 - Bachelor of Arts Degree with Honors in Social Science Economics, Sociology and Political Science from Bar-Ilan University.
2. 1995 - Master of Science in Business Administration ("Msc") from Ben-Gurion University.

##### **Occupational Experience**

3. I joined the Israeli Security Agency ("ISA"), commonly referred to in Israel as the "Shabak," in 1970, and I continued to serve there until the end of 1995.
4. **2001 - 2008 Private consultant involved in airport security and new aviation security technologies.**
5. **1997 - 2001 CEO of the Israeli Airports Authority** (which includes the border crossing checkpoints).
6. **1996 – 1997 Chairman of the Israeli Airports Authority Board.**

7. **1993 - 1994 ISA's representative on the Steering Committee** - in connection with the implementation of the Oslo Agreement with respect to Gaza Strip and Jericho.
8. **1988 - 1991 Commander of the Central Region** (which included Jerusalem and the Judea and Samaria Regions).
9. **1984 - 1988 Commander of the Southern Region of Israel** (including the Gaza Strip).
10. **1983 - 1984 Commander of the ISA Units in Lebanon.**
11. **1981 - 1983 Deputy Commander of the ISA for the West Bank and Jerusalem Region.**
12. **1981 - 1983 Director of the Intelligence Collecting Department and Terrorism Warfare Department for Jerusalem and Judea.**
13. **1977 - 1981 Director of the Anti-Terrorism Department for the Central Region - West Bank.**

**EXHIBIT B**

**Compensation**

My compensation for my work on this matter is at the rate of \$300.00 per hour, plus expenses.



**EXHIBIT C**

**Listing of Documents Reviewed**

None.

**EXHIBIT D**

**Publications (Prior Ten Years)**

None.

**EXHIBIT E**

**Other Expert Testimony (Prior Four Years)**

None.